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John J. Finnigan, Jr. Associate General Counsel

VIA FAX AND OVERNIGHT MAIL

November 19, 2007

Mr. Jeff Cline
Public Service Commission
Commonwealth of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

RECF

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PUBLIC 5...
COMMISS:...

Re: In the Matter of an Adjustment of Gas Rates of The Union Light, Heat and Power Company, Case No. 2001-00092; and

In the Matter of the Joint Application of Duke Energy Corporation, Duke Energy Holding Corp., Deer Acquisition Corp., Cougar Acquisition Corp., Cinergy Corp., The Cincinnati Gas & Electric Company and The Union Light, Heat and Power Company for Approval of a Transfer and Acquisition of Control, Case No. 2005-00228.

Dear Mr. Cline:

Pursuant to the Commission's January 31, 2002 Order in Case No. 2001-00092 and the Commission's November 29, 2005 Order in Case No. 2005-00228, Duke Energy Kentucky, Inc. is required to file quarterly financial statements and a report on the Company's capital structure. I have enclosed Duke Energy Kentucky, Inc.'s Supplemental Financial Statement for the quarter ending September 30, 2007 and a Capital Structure Report dated September 30, 2007. Please file-stamp the extra copy and return to me in the overnight envelope provided.

If you have any questions regarding the financial statements, please contact Mr. Don Storck, Director, Rate Services at (513) 419-6953.

Very truly yours,

John J. Finnigan, Jr.

Associate General Counsel

Enclosure JJF/sew

cc: Mr. Don Storck

Duke Energy Kentucky

Quarterly Supplemental Financial Statements Balance Sheet - Page 1 As of September 30, 2007 (Unaudited)

	Electric	Gas	Non-	Total
Assets	<u>Jurisdictional</u>	Jurisdictional	Jurisdictional	Company
Utility Plant in Service	1 101 001 450	247 546 224	11 200 000	1 450 740 645
	1,121,931,456	317,516,231	11,300,928	1,450,748,615
Construction Work in Progress	20,131,057	4,077,809	(7.440.000)	24,208,866
Less Accum. Depreciation	(545,763,895)	(92,922,658)	(7,110,362)	(645,796,915)
Net Utility Plant	596,298,618	228,671,382	4,190,566	829,160,566
Nonutility Property	0	0	13,128,643	13,128,643
Other Investments	0	0	1,500	1,500
Total Other Property & Investments	0	0	13,130,143	13,130,143
, out of the control			,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
Cash	5,970,802	2,045,024	210,005	8,225,831
Working Funds	1,815	622	63	2,500
Customer Accounts Receivable	4,001,466	1,734,589	0	5,736,055
Other Accounts Receivable	5,323,709	1,823,392	187,246	7,334,347
Less Provision for Uncollectibles	(216,065)	(93,661)	0	(309,726)
Notes Receivable from Assoc. Co.	11,480,205	3,932,016	403,783	15,816,004
Accounts Receivable from Assoc. Co.	181,816	62,273	6,395	250,484
Fuel Stock	9,490,882	712,637	1,323,468	11,526,987
Gas Stored Underground Inventory	0	9,837,605	0	9,837,605
Plant Materials & Operating Supplies	8,650,272	166,986	0	8,817,258
Other Materials & Supplies	(337,322)	(6,512)	0	(343,834)
Stores Expense Undistributed	462,653	8,931	0	471,584
Prepayments	12,344,452	5,843,926	0	18,188,378
Emission Allowances	8,390,086	0	0	8,390,086
Interest & Dividends Receivable	72,586	24,861	2,553	100,000
Misc Current and Accrued Assets	7,000,000	. 0	0	7,000,000
Total Current & Accrued Assets	72,817,357	26,092,689	2,133,513	101,043,559
Unamortized Debt Expense	2,789,149	955,295	98,100	3,842,544
Other Regulatory Assets	1,099,733	5,690,843	0	6,790,576
Preliminary Survey & Investigation	632,137	216,509	22,234	870,880
Clearing Accounts	257,633	186,370	8,803	452,806
Temporary Facilities	(225,581)	0	0	(225,581)
Miscellaneous Deferred Debits	14,873,997	5,094,404	523,149	20,491,550
Unamortized Loss on Reacquired Debt	2,723,579	932,837	95,794	3,752,210
Accumulated Deferred Income Taxes	3,818,071	2,645,411	2,851,850	9,315,332
Unrecovered Purchased Gas Costs	0	1,676,911	0	1,676,911
Total Deferred Debits	25,968,718	17,398,580	3,599,930	46,967,228
TOTAL ASSETS AND OTHER DEBITS	695,084,693	272,162,651	23,054,152	990,301,496

Duke Energy Kentucky

Quarterly Supplemental Financial Statements Balance Sheet - Page 2 As of September 30, 2007 (Unaudited)

	Electric	Gas	Non-	Total
	Jurisdictional	Jurisdictional	Jurisdictional	Company
Proprietary Capital				
Common Stock Issued	6,373,047	2,182,795	224,153	8,779,995
Premium on Capital Stock	13,674,438	4,683,550	480,958	18,838,946
Other Paid-in Capital Stock	175,302,389	(18,678,634)	(7,968,566)	148,655,189
Retained Earnings	149,906,816	122,154,551	(71,045,696)	201,015,671
Accumulated Other Comprehensive Income	(256,883)	(87,983)	(9,035)	(353,901)
Total Proprietary Capital	344,999,807	110,254,279	(78,318,186)	376,935,900
<u>Liabilities</u>				
Bonds	197,848,745	67,763,999	6,958,750	272,571,494
Unamortized Premium on Long-Term Debt				
Less Unamortized Discount on Long-Term Debt	(484,070)	(165,796)	(17,026)	(666,892)
Total Long-Term Debt	197,364,675	67,598,203	6,941,724	271,904,602
	7.050.040	0.700.000	0	40.050.000
Obligations Under Capital Leases - Noncurrent	7,953,248	2,700,088	0	10,653,336
Asset Retirement Obligation	1,633,993	7,000,219	0	8,634,212
Accum. Misc. Operating Provisions	10,631,349	7,690,665	363,242	18,685,256
Total Other Noncurrent Liabilities	20,218,590	17,390,972	363,242	37,972,804
Accounts Payable	10,318,646	3,534,178	362,928	14,215,752
Notes Payable to Assoc. Co.	38,331,195	13,128,590	1,348,188	52,807,973
Accounts Payable to Assoc. Co.	18,432,220	6,313,110	648,299	25,393,629
Customer Deposits	3,124,854	2,101,529	0.0,200	5,226,383
Taxes Accrued	11,960,328	(1,207,124)	(32,977)	10,720,227
Interest Accrued	1,495,069	512,067	52,585	2,059,721
Tax Collections Payable	1,106,377	530,728	4,828	1,641,933
Misc. Current & Accrued Liabilities	2,017,152	1,459,197	68,920	3,545,269
Obligations Under Capital Leases - Current	1,314,675	446,325	0	1,761,000
Total Current & Accrued Liabilities	88,100,516	26,818,600	2,452,771	117,371,887
Customer Advances for Construction	0	2,043,594	0	2,043,594
Accum. Deferred Investment Tax Credits	663,069	1,302,679	3,878,468	5,844,216
Other Deferred Credits	6,599,028	6,257,807	0	12,856,835
Other Regulatory Liabilities	1,196,996	512,852	0	1,709,848
Accumulated Deferred Income Taxes	35,942,012	39,983,665	87,736,133	163,661,810
Total Deferred Credits	44,401,105	50,100,597	91,614,601	186,116,303
TOTAL PROPRIETARY CAPITAL,				
LIABILITIES, AND OTHER DEFERRED CREDITS	695,084,693	272,162,651	23,054,152	990,301,496

Duke Energy Kentucky

Quarterly Supplemental Financial Statements Income Statement For the 12 Months Ended September 30, 2007 (Unaudited)

Revenues Revenuers 88,831,503 0 202,947,127 Commercial Sales 117,322,252 37,127,625 0 164,850,177 Industrial Sales 49,187,098 64,37,097 0 26,382,434 Public Street & Highway Lighting 1,578,455 33,455 0 1,578,455 Inter-Departmental Sales 43,296 33,455 0 1,578,455 Inter-Departmental Sales 43,296 33,455 0 1,578,455 Inter-Departmental Sales 43,296 33,455 0 1,578,456 Misc. Service Revenues 2,645,721 35,966 691,336 32,720,23 Revenues from Transportation 47,99,918 0 4,739,918 0 4,739,918 Remis from Property 97,940 34,176 1,057,901 2,211,177 Total Revenues 20,7010,431 117,883,707 1,749,237 474,818,584 Operation Expense 20,701,0431 117,883,707 53,653 324,947,791 Maintenance Expense 20,701,0431 1,782,049		Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
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Income Taxes - Federal & Other 0 0 6,984,213 6,984,213 Total Other Income & Deductions 303,503 58,322 7,495,185 7,857,010 Interest Charges Interest on Long Term Debt (10,817,492) (3,705,035) (380,474) (14,903,001) Amortization of Debt Disc. And Expense (446,082) (152,785) (15,690) (614,557) Interest on Debt to Assoc Co (622,313) (213,145) (21,888) (857,346) Other Interest Expense (643,308) (220,336) (22,626) (886,270) Less Allowance for Borrowed Fund Used During Construction - Credit 258,634 113,323 266,622 638,579 Net interest Charges (12,270,561) (4,177,978) (174,056) (16,622,595)		•	•	_	•
Interest Charges (10,817,492) (3,705,035) (380,474) (14,903,001) Amortization of Debt Disc. And Expense (446,082) (152,785) (15,690) (614,557) Interest on Debt to Assoc Co (622,313) (213,145) (21,888) (857,346) Other Interest Expense (643,308) (220,336) (22,626) (886,270) Less Allowance for Borrowed Fund Used During Construction - Credit Interest Charges 258,634 113,323 266,622 638,579 Net interest Charges (12,270,561) (4,177,978) (174,056) (16,622,595)					
Interest Charges Interest on Long Term Debt (10,817,492) (3,705,035) (380,474) (14,903,001) Amortization of Debt Disc. And Expense (446,082) (152,785) (15,690) (614,557) Interest on Debt to Assoc Co (622,313) (213,145) (21,888) (857,346) Other Interest Expense (643,308) (220,336) (22,626) (886,270) Less Allowance for Borrowed Fund Used During Construction - Credit Interest Charges 258,634 113,323 266,622 638,579 Net interest Charges (12,270,561) (4,177,978) (174,056) (16,622,595)	income Taxes - Federal & Other	Ü	U	6,984,213	6,984,213
Interest on Long Term Debt Amortization of Debt Disc. And Expense Interest on Debt to Assoc Co Other Interest Expense Less Allowance for Borrowed Fund Used During Construction - Credit Interest Charges Interest Charges (10,817,492) (3,705,035) (380,474) (14,903,001) (614,557) (614,557) (622,313) (213,145) (213,145) (21,888) (857,346) (820,336) (22,626) (886,270) (886,270) (12,270,561) (12,270,561) (4,177,978) (174,056) (16,622,595)	Total Other Income & Deductions	303,503	58,322	7,495,185	7,857,010
Amortization of Debt Disc. And Expense (446,082) (152,785) (15,690) (614,557) Interest on Debt to Assoc Co (622,313) (213,145) (21,888) (857,346) Other Interest Expense (643,308) (220,336) (22,626) (886,270) Less Allowance for Borrowed Fund Used During Construction - Credit Interest Charges 258,634 113,323 266,622 638,579 Net interest Charges (12,270,561) (4,177,978) (174,056) (16,622,595)	Interest Charges				
Interest on Debt to Assoc Co Other Interest Expense Less Allowance for Borrowed Fund Used During Construction - Credit Net interest Charges (622,313) (213,145) (213,145) (21,888) (857,346) (820,336) (22,626) (886,270) (886,270) (12,270,561) (12,270,561) (4,177,978) (174,056) (16,622,595)	Interest on Long Term Debt	(10,817,492)	(3,705,035)	(380,474)	(14,903,001)
Other Interest Expense (643,308) (220,336) (22,626) (886,270) Less Allowance for Borrowed Fund Used During Construction - Credit Interest Charges 258,634 113,323 266,622 638,579 Net interest Charges (12,270,561) (4,177,978) (174,056) (16,622,595)	Amortization of Debt Disc. And Expense	(446,082)	(152,785)	(15,690)	(614,557)
Less Allowance for Borrowed Fund Used During Construction - Credit 258,634 113,323 266,622 638,579 Net interest Charges (12,270,561) (4,177,978) (174,056) (16,622,595)	Interest on Debt to Assoc Co	(622,313)	(213,145)	(21,888)	(857,346)
Net interest Charges (12,270,561) (4,177,978) (174,056) (16,622,595)					• • •
NET INCOME 18,748,365 2,533,131 5,313,196 26,594,692	Net interest Charges	(12,270,561)	(4,177,978)	(174,056)	(16,622,595)
NET INCOME 18,748,365 2,533,131 5,313,196 26,594,692					
	NET INCOME	18,748,365	2,533,131	5,313,196	26,594,692

Duke Energy of Kentucky Capital Structure September 30, 2007

		Actual June 2007		Activity	Se	Actual September 2007
Liabilities and Shareholders' Equity Non-Current Liabilities M2310 Long-term debt M2430 Obligations under Capital Lease-Noncurr	क क	251,034,306	ഗ ഗ	870,296 (587,484)	છ છ	251,904,602
Total Long-term debt	s	262,275,127	s	282,812	€	262,557,939
Common Stock Equity						
201000 Common Stock	↔	8,779,995	↔	1	↔	8,779,995
207000 Prem On Capital Stock Common	↔	18,838,946	↔	I	↔	18,838,946
208000 Donat Recvd From Stkhld	₩	143,211,362	↔	1	↔	143,211,362
208010 Donat Recvd From Stkhld Tax	↔	5,600,021	↔	1	↔	5,600,021
211110 PIC - Sharesaver	₩	(156, 194)	↔	ı	↔	(156, 194)
216000 Unappropriated RE Bal	₩	176,800,410	↔	1	↔	176,800,410
216990 Unapp Ret Erngs-Curr Yr Net In	↔	16,611,420	↔	7,603,841	↔	24,215,261
S2750 Accum other comprehensive income (loss)	₩	155,649	↔	(509,550)	↔	(353,901)
Total Common Stock Equity	မှာ	369,841,609	\$	7,094,291	ss l	376,935,900
TOTAL CAPITALIZATION	છ	632,116,736	↔	7,377,103	↔	639,493,839
		,				